



Vermont State Treasurer's Office

State Aid for School Construction Proposal



House Ways and Means Committee

Thursday, May 15, 2025

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State Debt Management Process

- The State Treasurer's Office is statutorily charged with managing the State's bonds and debt obligations.
- Vermont is currently tied with Massachusetts for highest bond ratings in New England.
- Role of Capital Debt Affordability Advisory Committee and Debt Metrics Ratios
- For the FY26-27 biennium, CDAAC recommended a debt authorization of \$100,000,000 (or \$50,000,000 per year). Represents an \$8M reduction from the previous biennium.
- Prior state aid for school construction program used significant portion of capital bill dollars.

Rhode Island Model/State Subsidy for Debt Service Payments

- RIHEBC issues bonds on behalf of cities and towns for school construction, State pays a debt service subsidy amount (which varies based on a scoring system) for the bond debt service.
- Provides for a strong credit rating.
- Bonds issued through the program are not considered to be State net tax supported debt.
- Pooling of bonds achieves scale and reduces costs.
- Note: RI also issued \$500M of G.O. bonds to provide "pay-as-you-go" funding to school districts. This is not an option that the Treasurer's Office would recommend for Vermont.

Debt Service Subsidy Models for School Construction Aid

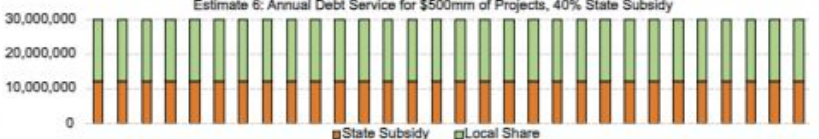
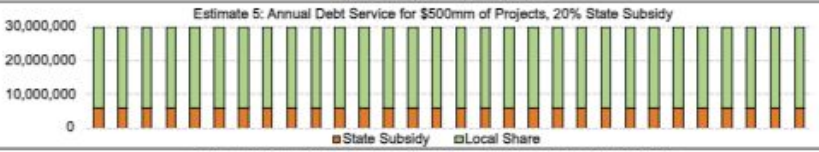
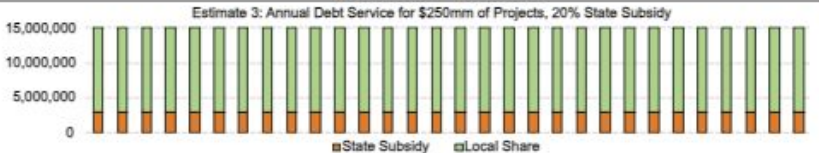
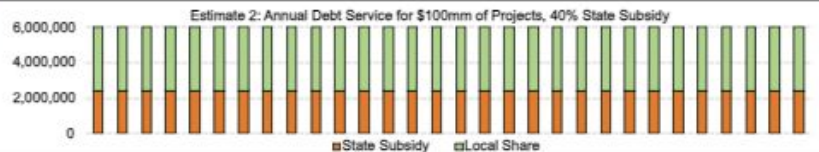
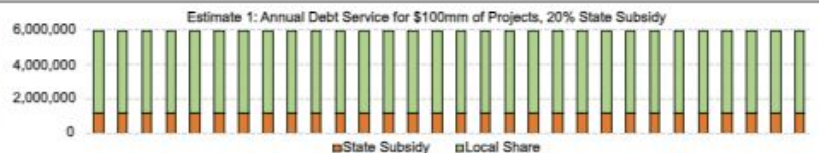
Disclaimer: The models on the following slides are meant to be demonstrative of the order of magnitude of project costs that varying amounts of annual State subsidy commitment could support, as a starting point, for continuing policy discussions around the scale and scope of a new State School Construction Aid Program. The total project funds contemplated do not reflect a recommendation as to the scale of a future program, but rather were chosen for mathematical ease of reference to facilitate program development

Modeled two ways:

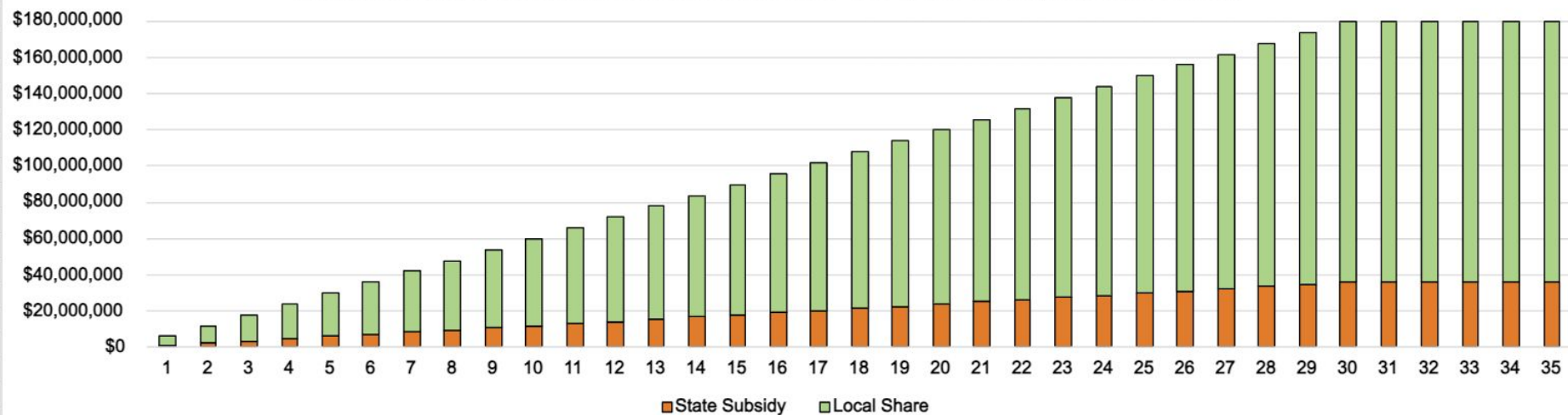
- Large one-time infusion of support with either 20% or 40% state subsidy.
- Ongoing set dollar amount of projects per year with 20% state subsidy.

	State Subsidy Estimates					
Estimate #	1	2	3	4	5	6
Project Funds	\$100,000,000	\$100,000,000	\$250,000,000	\$250,000,000	\$500,000,000	\$500,000,000
Total Subsidy	\$35,920,893	\$71,841,786	\$89,803,608	\$179,607,216	\$179,606,666	\$359,213,332
Avg Subsidy/Year	\$1,088,512	\$2,177,024	\$2,721,321	\$5,442,643	\$5,442,626	\$10,885,252
Subsidy Pct	20%	40%	20%	40%	20%	40%

	Annual State Subsidy Amount for Each Estimate					
Year	1	2	3	4	5	6
2025	\$1,196,893	\$2,393,786	\$2,993,758	\$5,987,516	\$5,985,466	\$11,970,932
2026	1,197,500	2,395,000	2,993,200	5,986,400	5,987,450	11,974,900
2027	1,196,950	2,393,900	2,993,850	5,987,700	5,986,700	11,973,400
2028	1,197,700	2,395,400	2,993,650	5,987,300	5,987,350	11,974,700
2029	1,197,650	2,395,300	2,993,550	5,987,100	5,987,150	11,974,300
2030	1,197,800	2,395,600	2,993,450	5,986,900	5,986,950	11,973,900
2031	1,197,100	2,394,200	2,993,250	5,986,500	5,986,550	11,973,100
2032	1,197,550	2,395,100	2,993,850	5,987,700	5,986,750	11,973,500
2033	1,197,050	2,394,100	2,993,100	5,986,200	5,987,300	11,974,600
2034	1,197,600	2,395,200	2,992,950	5,985,900	5,986,950	11,973,900
2035	1,197,100	2,394,200	2,993,250	5,986,500	5,986,500	11,973,000
2036	1,197,550	2,395,100	2,993,850	5,987,700	5,986,700	11,973,400
2037	1,197,850	2,395,700	2,993,600	5,987,200	5,987,250	11,974,500
2038	1,196,950	2,393,900	2,993,400	5,986,800	5,986,850	11,973,700
2039	1,197,850	2,395,700	2,993,100	5,986,200	5,987,250	11,974,500
2040	1,197,400	2,394,800	2,993,550	5,987,100	5,987,100	11,974,200
2041	1,197,600	2,395,200	2,993,550	5,987,100	5,987,100	11,974,200
2042	1,197,350	2,394,700	2,992,950	5,985,900	5,986,900	11,973,800
2043	1,197,600	2,395,200	2,993,600	5,987,200	5,987,150	11,974,300
2044	1,197,250	2,394,500	2,993,250	5,986,500	5,986,450	11,972,900
2045	1,197,250	2,394,500	2,993,750	5,987,500	5,986,450	11,972,900
2046	1,197,500	2,395,000	2,993,850	5,987,700	5,986,700	11,973,400
2047	1,196,900	2,393,800	2,993,350	5,986,700	5,986,750	11,973,500
2048	1,197,400	2,394,800	2,993,050	5,986,100	5,987,150	11,974,300
2049	1,197,850	2,395,700	2,993,700	5,987,400	5,987,400	11,974,800
2050	1,197,150	2,394,300	2,993,000	5,986,000	5,987,000	11,974,000
2051	1,197,250	2,394,500	2,993,750	5,987,500	5,986,450	11,972,900
2052	1,197,000	2,394,000	2,993,600	5,987,200	5,987,200	11,974,400
2053	1,197,300	2,394,600	2,993,300	5,986,600	5,986,600	11,973,200
2054	1,197,000	2,394,000	2,993,550	5,987,100	5,987,100	11,974,200
Total	\$35,920,893	\$71,841,786	\$89,803,608	\$179,607,216	\$179,606,666	\$359,213,332



Expanded Estimate 1: Annual Debt Service for \$100mm of Projects Per Year, 20% State Subsidy



Recommendations of School Construction Aid Task Force (Act 78 of 2023)

[Link to full report.](#)

- The Task Force understands that it could be helpful to the success of individual projects to have State support in the areas of planning, engineering, and other pre-construction costs, categories that are better served by “pay-as-you-go” funding sources. Additionally, any revitalization of State aid for school construction program in the form of a debt service subsidy will necessitate an annual appropriation for costs and personnel to administer the program and its governance structure. These costs should not be paid for with bonded dollars.
- The Task Force also recommends that the State Treasurer’s Office discuss any prospective major fund and revenue source(s) with Moody’s, S&P and Fitch prior to the passage of new program legislation, to ensure that the rating agencies do not consider State aid, and especially a debt service subsidy, to be interpreted as State net tax supported debt.
- This report contemplates the nuances of potential governance frameworks for a new program. It is imperative that the logistics of and criteria for a governance framework be established prior to the rolling out of any State debt subsidy commitments for project funds. By first establishing the governance framework, the State will not only be able to model future annual costs with more precision, but it will also be able to appropriately size a new program to the scope of need and availability of the revenues to support it.

Additional Consideration:

(g) Report. On or before December 15, 2025, the Board shall submit a 14 written report to the House Committees on Education and on Ways and Means 15 and the Senate Committees on Education and on Finance on recommendations 16 for addressing the transfer of any debt obligations from current school districts 17 to future school districts as contemplated by Vermont's education 18 transformation.

- Debt obligations still need to be paid.
- Vermont Bond Bank should be consulted.

The Rhode Island General Laws referenced in the cover of the RIHEBC official statement include the concepts of reimbursement contingent on appropriation, and reference bonds issued through RIHEBC, which incorporate Rhode Island's State intercept mechanism.

Suggested Language Additions:

Page 34 of most recent Senate Finance draft,, after line 14, adding language to paragraph (A) and creating a new paragraph (C) under (6) Award of Construction Aid:

*(A) The base amount of an award shall be 20 percent of the eligible debt service cost of a project. Projects are eligible for additional bonus incentives as specified in rule for up to an additional 20 percent of the eligible debt service cost. Amounts shall be awarded annually, **are subject to annual appropriation and do not constitute a pledge of the faith and credit or taxing power of the State.***

(C) The Vermont Bond Bank will serve as the fiscal agent of the state construction aid program. The Vermont Bond Bank will provide timely payment of state construction aid after verifying program requirements and receiving a transfer from the School Construction Aid Special Fund. Nothing in this chapter will diminish the powers of the Vermont Bond Bank and Vermont State Treasurer under 24 VSA 4555.

The added language to paragraph (A) is to state explicitly the General Assembly's intent not to create net tax-supported debt.

The award of "construction aid" is an appropriation from the State to a school district, subject to state intercept (along with any other State appropriations to the school district) to pay debt service on VBB-issued Bonds. This is as opposed to a direct payment from the State to pay school district debt service.

Explanation for the (C) paragraph:

- Bond Bank already monitors and reconciles nearly all school district debt repayments, so this is a logical addition that will speed transfer to districts. They have existing experience with the disbursement of funds.
- To the extent VBB finances the debt, we can manage the refinancings and be sure to reduce the amount of aid needed if we realize savings.
- Controlling the state aid allows VBB to ensure that the state intercept is not weakened. Therefore our ability to receive the lowest cost financing for school construction is ensured.